

**Update to Policyholders
from
ACA Assurance in Rehabilitation
December 19, 2008**

In September, the New Hampshire Insurance Department initiated a proceeding in the Merrimack County Superior Court to re-open the rehabilitation of ACA Assurance. Rehabilitation is being pursued by the Department, acting as Rehabilitator, within the context of this court proceeding.

Immediately upon the re-opening of Rehabilitation, the Commissioner obtained court approval to impose a 25% assessment on the face value of most ACA policies, including annuities. Due to substantial operating losses during 2008 and because ACA's reserves had been impaired, the assessment was necessary to provide sufficient capital and surplus to support continued operations. An indefinite moratorium on policy surrenders and policy loans was also put in place. The assessment and the moratorium remain in place. Further assessments are not currently being considered.

During Rehabilitation, all valid insurance claims on ACA policies are being paid in a timely fashion and hardship withdrawals are being considered on a case-by-case basis. This will continue for the indefinite future. The Rehabilitator's primary goal is to protect ACA policyholders from further exposure to loss arising from ACA's financial condition.

The Department, as Rehabilitator, has begun the process of developing a plan of reorganization of the insurance business of ACA. The details of this plan are not yet in place. However, it is expected that the plan will include transactions that protect ACA policyholders by transferring ACA's policy obligations to more stable insurance companies. There will likely be separate U.S. and Canadian transactions. The ability to implement such a plan depends, of course, on success in finding appropriate insurance companies to assume the policy obligations under the various types of coverage sold by ACA. This process of identifying other insurance companies and discussing transaction terms is well underway.

Any plan of reorganization and any agreement to transfer ACA's insurance policy obligations will be considered in detail by the Department and then reviewed by the court. It is likely that other regulatory approvals will also be required.

We will provide you with additional information as this plan develops.

During rehabilitation, ACA Assurance continues to exist as a fraternal benefit society with active members and lodges. Inquiries regarding the fraternal aspects of ACA should be directed to ACA.